In the Supreme Court of the United States

October Term, 1979

No. 79-336

GUARDIAN INDUSTRIES CORPORATION,
Petitioner,

v.

PPG INDUSTRIES, INC.,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

WILLIAM H. WEBB
JOHN M. WEBB
515 Oliver Building
Pittsburgh, Pennsylvania 15222
Attorneys for Respondent

Webb, Burden, Robinson & Webb, P.A.
515 Oliver Building
Pittsburgh, Pennsylvania 15222
Of Counsel

Financial Press Corporation, Pittsburgh

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I. INTRODUCTION

The petition in this case does not present a question within the *certiorari* jurisdiction ordinarily exercised by this Court; and no facet of this ordinary patent infringement case warrants review by this Court.

None of the considerations governing review on *certiorari* set forth in Rule 19 is applicable here. The decision below is not in conflict with a decision of another Court of Appeals on the same matter or in conflict with applicable decisions of this Court or in conflict with state law. There are no "special and important reasons" for review and there is nothing calling for an exercise of this Court's power of supervision.

The Court of Appeals below merely held that Guardian's license defense to this ordinary patent infringement action was without foundation because the agreement between PPG and Permaglass on which the license defense is predicated contained explicit language precluding transfer to Guardian, by operation of law or otherwise, of Permaglass's non-exclusive licenses and that the intent of the parties that the licenses to Permaglass were personal and non-transferable was clear from the agreement. Hence, whether federal or state law governs patent licenses is totally immaterial since, under both, the clear language of the agreement expressing the intent of the parties is controlling.

II. QUESTION PRESENTED

The question posited by petitioner is not present in this case. There are express provisions in the 1964 license agreement which are preclusive of any transfer by operation of law or otherwise. Section 3.3 of the 1964 agreement expressly says that the license reserved by Permaglass under the Permaglass patents is "non-transferable" and "for the benefit and use of PERMAGLASS." Section 4.1, as to the PPG patents, says that the license is "non-transferable" and Section 9.2 says that the agreement and the license granted to Permaglass under the PPG patents was "personal to PERMAGLASS." The question posited also overlooks the fact that the license under the PPG patents terminated irrespective of merger or any attempted transfer because the majority of the voting stock of Permaglass did, in fact, become owned and controlled directly by Guardian, a manufacturer and fabricator of glass, as expressly prohibited in Section 11.2 (Pet. App. 53).

Petitioner's statement as to the Court of Appeals' holding is not correct. The Court did not hold that federal common law pre-empts state merger statutes. That Court held

(Pet. App. 50, 51, 53) that there was express language in the agreement showing that the intent of the parties was that the licenses of Permaglass be not transferable by operation of law or otherwise and that such intent must be given effect.

III. STATEMENT OF THE CASE

Petitioner's Statement of the Case does not accurately set forth the nature of the proceedings below or the holdings of the Court of Appeals.

The controversy resides in the transferability of certain patent rights under a 1964 Patent License Agreement. Patents and patent applications were owned by both PPG and Permaglass, Inc. relating to a novel air float method of annealing and tempering glass. The 1964 License Agreement was the result of the parties' negotiations as to the respective rights in the process. By that Agreement Permaglass, Inc. granted PPG an exclusive license (tantamount to an assignment) under Permaglass patents and applications reserving to itself a non-exclusive, non-transferable license. PPG granted to Permaglass a non-exclusive, non-transferable license under PPG patents and applications. The Agreement was very specific regarding the transferability of those rights. With regard to the non-exclusive license Permaglass retained in patents originating at Permaglass, the Agreement provides:

> "3.3 The licenses granted to PPG under Subsections 3.1 and 3.2 above shall be subject to the reservation of a non-exclusive, *non-transferable*, royalty-free, worldwide right and license for the benefit and use of PERMAGLASS.•

•Emphasis ours throughout unless otherwise noted.

• • • •

"9.2 This Agreement and the license granted by PPG to PERMAGLASS hereunder shall be *personal* to PERMAGLASS and *non-assignable* except with the consent of PPG first obtained in writing."

With regard to the non-exclusive license PPG granted to Permaglass under PPG patents and applications, the Agreement states:

"4.1 PPG hereby grants to PERMAGLASS a non-exclusive, *non-transferable*, royalty-free right and license....

• • • •

"11.2 In the event that a majority of the voting stock of PERMAGLASS shall at any time become owned or controlled directly or indirectly by a manufacturer of automobiles or a manufacturer or fabricator of glass other than the present owners, the license granted to PERMAGLASS under Subsection 4.1 shall *terminate* forthwith."

Five years later Permaglass was merged into Guardian, a fabricator of glass. Under the Agreement of Merger "... all rights, privileges, powers, franchises, and interests of Permaglass ... shall be deemed transferred to and shall vest in Guardian ..." The Permaglass stock was acquired by Guardian and Permaglass ceased to exist.

PPG brought this suit against Guardian for infringement of the patents covered by the 1964 License Agreement. Guardian asserted it acquired the non-transferable license rights as a result of the merger.

The District Court recognized that PPG had the power to restrict passage of license rights via a statutory merger but held that the foregoing provisions did not show an intent to do so (Pet. App. 24). The Court of Appeals reversed.

After referring to the express prohibitions against transfer contained in Sections 3, 4 and 9 of the 1964 agreement (Pet. App. 43-44), the Court below stated (Pet. App. 51):

"The quoted language from Sections 3, 4 and 9 of the 1964 agreement evinces an intent that only Permaglass was to enjoy the privileges of licensee."

The Court further stated (Pet. App. 53):

"Thus, Sections 3, 4 and 9 of the 1964 agreement between PPG and Permaglass show an intent that the licenses held by Permaglass in the eleven patents in suit not be transferable. While this conclusion disposes of the license defense as to all eleven patents, it should be noted that Guardian's claim to licenses under the two patents which originated with PPG is also defeated by Section 11.2 of the 1964 agreement."

The Court further held (Pet. App. 51):

"We conclude that if the parties had intended an exception in case of a merger to the provisions against assignment and transfer they would have included it in the agreement."

Again, after discussing the Ohio merger statute which provides that, following a merger, all property of a constituent corporation shall be "deemed to be *transferred* to and vested in the surviving or new corporation without further act or deed,..." the Court (Pet. App. 52-53) pointed out that the parties themselves had provided in the merger agreement that all property of Permaglass "shall be deemed transferred to and shall vest in Guardian," and stated:

"A transfer is no less a transfer because it takes place by operation of law rather than by a particular act of the parties. The merger was effected by the parties and the transfer was a result of their act of merging."

Finally, the Court below, after considering the shop-right cases, expressly held (Pet.App. 49):

> "We do not believe that the express prohibition against assignment and transfer in a written instrument may be held ineffective by analogy to a rule based on estoppel in situations where there is no written contract and the rights of the parties have arisen by implication because of their past relationship."

In short, the Court below held that the intent of the parties was clear from the express provisions of the agreement and that it was that the licenses of Permaglass were not transferable by operation of law or otherwise. This is, of course, controlling irrespective of whether considering state law or federal law because it is hornbook law that it is the intent of the parties which is controlling in regard to the construction of an agreement.

Petitioner asserts (Pet. 6) that the license "contained neither an express restriction against...another company succeeding to Permaglass' rights as a result of the statutory merger *or by operation of law.*" This is incorrect. The Court below held that Sections 3, 4 and 9 of the 1964 agreement contained express words precluding a transfer by operation of law. Sections 3 and 4 expressly used the term "non-transferable" which has a definite meaning in the law and has been interpreted by this Court and others as being an all inclusive term describing any and all means involving the passage of property or rights: *Pirie v.Chicago Title and Trust Co.*, 182 U.S. 438, 444 (1901); *Bouvier's Law Dictionary* (1928), p. 1185; *Black's Law Dictionary* (1968), p. 1669; *The W. T. Rawleigh Co. v. McCoy*, 96 Ore. 474 (1920); and *Kramer v. Spradlin*, 148 Ga. 805 (1919).

Although the Court below did state (Pet.App. 47) that the assignability of a patent license is cotrolled by federal law and that it has long been held by federal courts that agreements granting patent licenses are personal and not assignable unless expressly made so, citing *Unarco Indus-*

tries, Inc. v. Kelley Company, 465 F.2d 1303, 1306 (7 Cir., 1972), Cert. Den. 410 U.S. 929 (1973), that was not the basis for the Court's decision. The basis for the Court's holdings was that the agreement in question contained express prohibitions against a transfer of the Permaglass licenses by operation of law or otherwise and that the intent of the parties in this regard was clear from the express language used in the agreement.

IV. REASONS FOR DENYING THE WRIT

The petition for a writ should be denied for the following reasons:

1. None of the considerations governing review on *certiorari* set forth in Rule 19 is applicable here.

2. Contrary to petitioner's assertion, the decision below does *not* conflict with state statutory law relating to the transfer of property rights in case of mergers because express provisions in Sections 3, 4 and 9 of the 1964 agreement prohibited transfer of the licenses of Permaglass by operation of law or otherwise. Moreover, under state law as well as under federal law, it is the intention of the parties which is controlling in the construction of agreements, including patent license agreements. As to the controlling effect of the intent of the parties as expressed in the agreement, see: *Blosser v. Enderlin*, 113 Ohio St. 121, 148 N.E. 393 (1925); *First National Bank v. Houtzer*, 96 Ohio St. 404, 117 N.E. 383 (1917); *Hillbrook Apartments, Inc. v. Nyce Crete Co.*, 237 Pa. Super. 565, 352 A.2d 148 (1975); *Leist v. Schattie*, 197 Pa. Super. 456, 179 A.2d 277 (1962); *Hajoca Corp. v. Security Trust Co.*, 41 Del. 514, 25 A.2d 378 (1942); *Pope v. Landy*, 39 Del. 437, 1 A.2d 589 (1938); *F. D. Rich Co. v. Wilmington Housing Authority*, 392 F.2d 841, 842, (3 Cir., 1968).

3. The decision below does not in any way conflict with decisions of this Court, including this Court's recent decision

in *Aronson v. Quick Point*, 99 S.Ct. 1096 (1979). The *Quick Point* case is inapposite. Petitioner's argument presupposes that there is some conflict between federal law and state law. There is no such conflict in this record. The decision below is based squarely on well-established principles of contract law which are applied uniformly and consistently in state courts and federal courts—namely, that the intent of the parties governs the interpretation and application of a written agreement. The decision below was not based on any federal pre-emption of the field and does not conflict with any state law or state policy.

Petitioner's argument assumes that there is some state policy that requires all property of constituent corporations to be trasnferred to the surviving corporations (Petition, p. 12). No authority is cited for that proposition. The state statutes involved do not "require" such a transfer. The state merger statutes do not purport to override express written contracts of a constituent corporation which prohibit transfer of certain property. As stated above, the statutes merely provide the *modus operandi* by which transferable property is vested in the surviving corporation.

V. CONCLUSION

We respectfully submit that the petition for a writ of *certiorari* in this case should be denied.

Respectfully submitted,

WILLIAM H. WEBB
JOHN M. WEBB
515 Oliver Building
Pittsburgh, Pennsylvania 15222
Attorneys for Respondent

Webb, Burden, Robinson & Webb, P.A.
515 Oliver Building
Pittsburgh, Pennsylvania 15222
Of Counsel